MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2020/2021

DFA5044 – FINANCIAL ACCOUNTING 4

(For Diploma Students Only)

17 MARCH 2021
9.00 a.m. to 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **7** pages with **4** questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

An equity instrument of a company may comprise more than one type of shares. One of the classes of shares includes preference shares. Preference shares can be classified into cumulative, non-cumulative, participating, redeemable or convertible.

Required

Describe any **FOUR (4)** of these preference shares. (4 marks)

Part B

Iris Corporation Berhad is engaged in technology consulting and the implementation of e-payment system in Malaysia. The company was incorporated on 1 January 2020.

On 1 July, the company invited application for its first issue of 700,000 8% preference shares at RM1.80 each, payable in full on application and 1,000,000 ordinary shares of RM1.50 on installment.

On application stage, the applicants are required to pay RM0.30 per share acquired. The successful applicants have to pay the balance of RM0.50 per share for allotment stage and during the 1st and 2nd call, company make a call for payment of RM0.30 and RM0.40 per share respectively.

The company received 1,900,000 applications for ordinary shares and the director decided to refund three quarter of excess applications and allotted the shares on pro rata basis among the remaining applicants. Any surplus money on application was used to pay up on allotment.

The 1st call was duly paid with the exception of two shareholders who held 45,000 shares and 30,000 shares respectively failed to pay. There was one shareholder who held 40,000 shares paid the 2nd call money during 1st call. On the 2nd and final call, all monies due were received.

Required

Prepare the journal entries to record the above transactions. (14 marks)

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Part C

Given below is extract of the Statement of Financial Position of Puncak Bhd. as at 31 December 2020.

Issued and fully paid up capital	RM
20,000,000 7% preference shares	20,000,000
40,000,000 ordinary shares	64,000,000
Non-current liability	
30,000,000 6% redeemable preference shares	36,000,000
Reserve	
Retained profit	5,600,000

During the year, the directors resolved to redeem half of its redeemable preference shares at a premium of 20%. To finance the redemption, 7,000,000 ordinary shares were issued at RM2 each and the balance by transferring from the retained profit to contributed capital.

Required

(a) Prepare the necessary journal entries to record the transactions. (4 marks)

(b) Prepare the extract of the Statement of Financial Position after the redemption. Assume that the company's beginning bank balance is RM22 million. (3 marks)

(Total: 25 marks)

QUESTION 2

The Statement of Financial Position for Solarvest Bhd as at 31 May 2020 is as follows:

Solarvest Bhd
Statement of Financial Position
as at 31 May 2020

Property, Plant and Equipment	
Land and Building	RM380,000
Plant and Machinery	198,000
Furniture and Fittings	65,000
Total Property, Plant and Equipment	643,000
Investment	
Investment	80,000
Intangible Asset	
Goodwill	45,000

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Current Asset		
Cash	8,000	
Trade Receivables	46,000	
Prepaid Insurance	7,000	
Inventories	30,000	
Total Current Assets		91,000
Total Assets		**RM859,000**
Issued and paid up capital		
200,000 7% Preference Shares		200,000
600,000 Ordinary Shares		600,000
		800,000
Reserves		
Assets Revaluation Reserve		48,000
Accumulated Loss		-180,000
Non-Current Liabilities		
8% Debentures		100,000
Current Liabilities		
Director's Loan		25,000
Bank Overdraft		21,000
Trade Payables		30,000
Interest Payables		15,000
Total Current Liabilities		91,000
Total Liabilities and Shareholder Equity		**RM859,000**

Additional information:

a. Arrears on preference dividend worth RM30,000.
b. Contingent liability for damages of RM28,000 has not been provided.

Solavest Bhd suffered a great loss for the past few years. Therefore, Solavest Bhd passes special resolution and the approval of the court was obtained for the following scheme of internal reconstruction:

1. The preference share is to be reduced by RM0.60 each, while ordinary share is to be reduced to RM0.30 each. Existing ordinary shareholders to subscribe for a new issue for half millions of ordinary shares of RM0.30 per share.

2. The preference shareholders to receive two ordinary shares of RM0.30 each for every RM1 preference dividends in arrears.

3. The assets are revalued as follows:

	(RM)
Plant and machinery	176,000
Land and building	400,000

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Furniture and Fittings	59,000
Investments	86,000

4. One third of trade payable is to be settled by bank and half of the assets revaluation reserve is to be used for the scheme.

5. 20% of director's loan is to be canceled and 20% is to be paid by cash. The balance is to be settled by the issuance of ordinary shares of RM0.30 each. The Director also agreed to subscribe for RM45,000 in ordinary shares.

6. Accumulated loss, goodwill and prepaid insurance to be written off. Trade receivable are to be provided for bad debts of RM12,000 and RM16,500 to be written off for inventories.

7. Investments are to be sold at its market value.

8. The contingent liability of RM28,000 is materialised and the company settled the full amount.

Required

(a) Prepare the journal entries to record the capital reduction and any surplus or deficiency on capital reduction. (20 marks)

(b) Prepare the Statement of Financial Position of the company after the completion of capital reduction. (5 marks)

(Total: 25 marks)

QUESTION 3

Part A

(a) One of the items to be disclosed in the Statement of Profit or Loss under Malaysian Financial Reporting Standard (MFRS) is exceptional items.

Briefly explain and give **TWO (2)** examples of the exceptional items. (2 marks)

(b) There are two types of companies which are Statutory Companies and Registered Companies. Statutory authorities or bodies are incorporated under Acts of Parliament. Meanwhile, registered companies are formed under Companies Act 2016 and registered under the Companies Commission of Malaysia (CCM/SSM).

Briefly explain any **THREE (3)** characteristics of company. (3 marks)

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Part B

Below is the list of financial data for Ammar, a sole proprietorship business owner of Cristal Shop as at 1 January 2020.

Bank	RM32,000	Account payables	RM28,000
Account receivables	46,000	Unearned revenue	16,000
Prepaid rental	22,000	Capital, Ammar	550,000
Inventories	115,000	Equipment	379,000

Cristal Crown Bhd. is to purchase Cristal Shop business by issuing 500,000 ordinary shares and 100,000 6% preference shares both at RM1 as a purchase consideration. Ammar and his sister, Emma joined as shareholders of the new company by subscribing 150,000 ordinary shares at RM1 each and 50,000 6% preference share at RM1 each which paid immediately in cash.

The sale and purchase agreement provided that:

1. Cristal Crown Bhd. should take over all the assets and liabilities (excluding cash at bank, account receivables and accounts payable).
2. The assets are to be taken over at the following fair values:

	RM
Equipment	450,000
Prepaid rental	18,000
Inventories	120,000

3. Cristal Crown Bhd. was to assist Cristal Shop business in collecting account receivables and paying account payables.
4. The liquidation expense of RM1,000 was to be paid by Cristal Shop business by bank.
5. Ammar solely absorb all profits and losses including any remaining cash upon liquidation of his sole proprietorship business.

Required

(a) Calculate the purchase price and goodwill. Show all your workings. (3 marks)

(b) Prepare journal entries to close the book of Cristal Shop. (12 marks)

(c) Prepare journal entries to open the book of Cristal Crown Bhd. (5 marks)

(Total: 25 marks)

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QUESTION 4

Part A

In December 2018, Awanbiru Bhd.'s Statement of Profit or Loss shows current year revenue and expenses as RM480,000 and RM225,000 respectively. The company has unappropriated profit brought forward of RM50,000. Tax rate is 28%.

Required

(a) Calculate the current year profit after tax. (2.5 marks)

(b) Calculate the profit available for appropriation. (1.5 marks)

Part B

Given below are the Statement of Financial Position of KPower Bhd. and SCIB Bhd. as at 31 December 2020.

Statement of Financial Position as at 31 December 2020

	KPower Bhd. (RM)	SCIB Bhd. (RM)
Current Assets		
Bank	90,000	60,000
Trade Receivables	140,000	105,000
Inventories	110,000	95,000
Total Current Assets	340,000	260,000
Intangible Assets		
Goodwill	40,000	30,000
Property, Plant and Equipment		
Land and Building	470,000	200,000
Plant and Machinery	210,000	170,000
Total Assets	1,060,000	660,000
Current Liabilities		
Trade Payables	140,000	99,000
Non-current Liabilities		
6% Debentures	-	150,000
Shareholder's Equity		
Ordinary shares of RM1 per share	700,000	300,000
Assets Revaluation Reserves	60,000	43,000
Profit and Loss	160,000	68,000
Total Liabilities and Equity	1,060,000	660,000

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Additional information:

1. KPower Bhd is to take over all the assets (except cash at bank) and liabilities of SCIB Bhd as at 31 December 2020 at the following fair values:

	(RM)
Land and building	450,000
Plant and machinery	140,000
Trade receivables	100,000
Inventories	80,000

2. The purchase consideration consists of:
   i. 400,000 ordinary shares of RM1 per share in KPower Bhd valued at RM1.25 per share
   ii. RM165,000 4% debentures in KPower Bhd to discharge the 6% debentures SCIB Bhd at a premium of 10%.

3. KPower Bhd agreed to pay the liquidation expenses of RM 10,000 upon absorption of SCIB Bhd.

Required

(a) Calculate the value of goodwill based on the information on purchase consideration given. (3 marks)

(b) Prepare the journal entries to close the books of SCIB Bhd. (9 marks)

(c) Prepare the Statement of Financial Position of KPower Bhd immediately after the absorption of SCIB Bhd. (6 marks)

Part C

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The business combination, assets and liabilities of the acquiree are measured at fair value at the acquisition date and goodwill is measured as the difference at the acquisition date. The goodwill being recognised at each step in an acquisition process.

Required

Briefly explain the goodwill and identify any **TWO (2)** factors that contribute towards the reputation of goodwill. (3 marks)

(Total: 25 marks)

End of Paper